



# 7-Step Economic Survival Guide for Dentists

The coronavirus pandemic quickly changed how dentists practice. Many dentists were caught off-guard and have had to make tough financial decisions. In this guide, the dental accounting firm Pro-Fi 20/20 provides seven steps that dentists can take now to help with cash flow.



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## 7-Step Economic Survival Guide for Dentists

As the country continues to navigate the implications of COVID-19, many dentists are experiencing a heightened state of uncertainty about the coming weeks and months for both your family and businesses. The entire world was caught off-guard and businesses have had to make tough financial decisions. In this guide, the dental accounting firm Pro-Fi 20/20 provides seven steps that dentists can take now to alleviate the cash flow crunch.

The ideas offered below are suggestions to consider as you navigate through this challenging time. It is important to note there is no “silver bullet” or “one size fits all” answer and dentists must assess their specific situation preferably with the help of their advisor.

**Here are seven steps to help dentists through this challenging time.**

### Step 1: Determine your baseline before the crisis

Brent Saunier, a Certified Public Accountant and Managing Partner at Pro-Fi 20/20, suggests starting with a simple table to determine your monthly expenses and cash flow before the coronavirus pandemic impacted your business.



This information should be readily available on your financial statements (Balance Sheet and Profit Loss Statement). Once you determine your baseline, make the applicable adjustments for any expenses you can temporarily reduce. The net result after adjusting your monthly collections and expenses is your net cash flow per month.

**Here is an example:**

Focus Area	February 2020	Anticipated	% Change	\$ Change
Monthly Revenue	\$150,000	\$22,500	-85%	-\$127,500
Overhead per Month	\$61,500	\$12,375		-\$49,125
Wages	\$37,500	\$5,625	-85%	-\$31,875
Rent	\$10,500	\$0	-100%	-\$10,500
Other	\$13,500	\$6,750	-50%	-\$6,750
Debt Payments	\$5,000	\$0	-100%	-\$5,000
Net Cash Flow per Month	\$83,500	\$10,125		

## Step 2: Forecast proposed revenue for March and April

An insurance-based dental practice should still be receiving some cash collections as your Accounts Receivables are paid. This would also be the case for any fee-based dental practices that have not yet collected on older Accounts Receivables.

Several states have mandated postponing non-emergency dental for as long as 60 days. There are several factors that could lengthen the amount of time dental practices are temporarily prohibited from providing non-urgent care. At this point in time, how long these closures last are ultimately at the mercy of State and Federal mandates. There could be potential revenue generated for emergency dental care but this amount is much harder to predict.

## Step 3: Identify opportunities to generate revenue

Some practices remain open for a limited number of hours to provide emergency dental services. Others are opening as needed to provide urgent dental care. Still other practices are advertising emergency dental services to attract new patients or investigating teledentistry as a tool to identify new patients who need urgent dental care. Several dentists reached out to local hospitals and medical providers to let them know the practice was open for their patients who needed dental care.

## Step 4: Consider ways to decrease payroll expenses

Business owners throughout the country are being forced to make tough decisions regarding employees and payroll. Congress is analyzing options to help both businesses and employees weather this economic crisis.

The team at Pro-Fi 20/20, CPAs highly advise dentists to consult an employment law attorney or human resource professional for specific questions.

### Here are some of the options dentists are evaluating:

- **Reduce hours:** Hourly, nonexempt team members are paid only for the hours that they work. Exempt employees are on salary, which means they are entitled to their entire salary even if they work a reduced schedule.
- **Furloughs:** A furlough is a temporary layoff from work, and people usually associate the term with government shutdowns in which non-essential government employees are told not to go to work. In general, people are not paid during furloughs but they do keep employment benefits such as health insurance. Employees are not allowed to do any work while they are on furlough.
- **Terminations / Layoffs:** A layoff can either be temporary or permanent. In this case, the employee is dismissed from the job. The person will need to be rehired to come back on payroll.
- **Discontinue doctor's payroll:** Consult your accountant to see if you can take distributions in lieu of payroll.

Dental practices that offer paid sick time and/or vacation time typically need to pay any accrued hours to terminated employees. Double check your employee handbook to confirm how your paid time off policy is structured.

There's a great list of resources on the New York Times website called [Your Money: A Hub for Help During the Coronavirus Crisis](#). It includes information about how unemployment insurance works, how to pause federal student loans, help for renters and homeowners, and other valuable information.

## Step 5: Reduce or defer rent

If you haven't already, call your landlord to ask if you can lower or even defer your rent for April and May.

"Your landlord understands this is an unprecedented situation. When you call, remind the landlord that you've always been a great tenant who has paid on time, and offer a solution for reimbursement," suggested Brent Saunier. "For example, you might say, 'As you know, we've had to shut down and stop seeing patients. For the first time since I moved into this building ten years ago, I don't have income coming in, and would appreciate it if I could defer the rent for April and May. I will pay you once the government restrictions end and we can resume business as usual.' "

## Step 6: Reduce, defer, or eliminate other costs

You should immediately decrease dental and office supply orders to only what is needed in the immediate future. Now is the time to reach out to your vendors to ask for help. For example, if you have payment terms of Net 30, ask if those can be extended to Net 90. If it's a service you can't use while you're closed, then ask to pause services.

Pro-Fi 20/20 recommends creating a spreadsheet listing your vendors, regular fees, reduced fees, and a column for notes.

## Step 7: Reduce or refinance debt payments

You should call your lender to ask about reducing or refinancing debt payments; making interest-only payments on your business loan; decreasing any excess principal payments; or lengthening the term of the loan. The federal government has allowed federal student loan borrowers to pause their payments for 2 months and during that time interest is being waived. Some of the larger financial institutions have paused payments on loan obligations for 3 months to assist in the recovery effort.

Contact your bank to apply for a line of credit, if you don't already have one. There may be an opportunity to draw against available lines of credit on the business or personal property if needed.

Now's a good time to contact your credit card company to see if there is a penalty for missing a payment, or if they will allow you to miss a payment without penalty.

### Additional Options

Dentists who need access to cash resources during the next few weeks should also talk to their accountant / financial planner for additional options. These could include temporarily stopping automatic contributions to your retirement plans or taking a loan against your 401K. Your specific retirement plans "Summary Plan Description" should be reviewed to determine eligibility for taking loans.

Dentists can also research withdrawals from personal investment accounts, if those are available.

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Congress is passing legislation to provide assistance to businesses and employees. Check with your CPA or advisor to find out how the Families First Coronavirus Response Act and other legislation could affect you.

“The entire country is navigating through unprecedented times,” said Brent Saunier. “We are all in this together and will get through it together. I encourage everyone to take time for themselves and don’t watch the news 24/7. It will consume you and you need to take time for personal reflection. Some helpful tips are to watch your food consumption, go outside, exercise, and create a healthy routine. Lastly, as business owners, utilize the downtime to work ON your business. This is a chance to hit the reset button on your practice once we get back to normal.”

### **RESOURCES RELATED TO COVID-19:**

#### **State Labor Offices**

<https://www.dol.gov/agencies/whd/state/contacts>

#### **Additional IRS Resources:**

<https://www.irs.gov/businesses/small-businesses-self-employed/state-government-websites>

#### **Where Can I Find My State’s COVID-19 Employer Resource Website?**

<https://gusto.com/blog/people-management/covid19-employer-sites-by-state>

#### **If you lose your job due to the coronavirus pandemic, here’s how to navigate filing for unemployment**

<https://www.cnbc.com/2020/03/18/how-to-file-for-unemployment-due-to-coronavirus.html>

#### **ADP Employment Tax Guide: State Agency Status in Response to COVID-19**

<http://communications.adpinfo.com/LP=233>

#### **SBA Disaster Relief Loan**

<https://www.sba.gov/funding-programs/disaster-assistance>

<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>



### About PRO-FI 20/20, CPAs

Pro-Fi 20/20, CPAs is a dental-centric CPA firm that specializes in the dental industry serving close to 300 practices throughout the country. Its team provides accounting services, tax services, consulting services, business valuations, and bank loan assistance for dentists.

### About Patient Prism

Patient Prism provides call tracking and call coaching services to improve new patient call conversions and increase dental practice revenue. It identifies new patient calls that don't end in a booked appointment and provides the dental practice specific phrasing to use to win back that potential patient – all within 30 minutes of the original call. In addition, it offers Patient Prism Academy, a learning management system with more than 900 training videos and interviews with dental industry leaders. This gives dental practices a way to consistently provide team members with access to the industry's most respected leaders so they can stay up-to-date on best practices and trends.

### Additional Resources

It's more important than ever to make sure your team has the tools and training to effectively communicate with patients.

Patient Prism can help. We analyze your new patient calls, identify the people who don't schedule, and send you an alert detailing what you can say to win them back – all within 30 minutes.

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